

Blue Ribbon Commission on Transportation Revenue Committee

Meeting Summary January 14, 1999

APPROVED February 16, 1999

Committee members present: Skip Rowley, Chair, Roger Dormaier, Councilmember Dave Earling, Robert Helsell, Larry Pursley, Mike Roberts, Commissioner Judy Wilson

Committee members absent: Governor Booth Gardner, Representative Ed Murray, Dale Nusbaum, Neil Peterson, Senator George Sellar

The Revenue Committee convened at 8:53 a.m. in Olympia. Chairman Skip Rowley opened the meeting and began by thanking Senator Gene Prince for his service to the Blue Ribbon Commission. Senator Prince has resigned from the state legislature and has been appointed the Chairman of the State Liquor Control Board. The Chair also thanked Tim Ceis, a representative from the Governor's office for his service to the Commission. Mr. Ceis has taken a new position with King County.

The committee has two new members: Senator George Sellar, a longtime member of the Senate Transportation Committee, and Mike Roberts, a senior transportation analyst in the Governor's office. Both were welcomed to the committee.

The Chair noted a change in the committee's agenda. County funding issues will be presented next month. Instead, today's meeting would be devoted to city funding issues. Presenters would be Stan Finkelstein of the Association of Washington Cities and Jerry Fay, the Executive Director of the Transportation Improvement Board (TIB).

A calendar of future Blue Ribbon Commission and Revenue Committee meetings was distributed. The Revenue Committee will meet on the third Tuesday of each month except in May and October when it will meet on the days the full Commission meets. Also, a two-day full Commission retreat in September is being planned that has not been scheduled yet.

Discussion of Committee Topic List

Discussion then turned to the committee's topic list as developed during the last meeting:

- The fund and account structure (funding "buckets")
- Gas tax and its distribution
- The 18th amendment to the state constitution

- MVET distribution to transit
 - Total system costs
 - City and county needs and funding levels
 - Local option taxes
 - Tolls
 - Congestion pricing
 - Ideas from other states and countries
 - Reallocation of taxes paid on transportation projects
 - Equity issues
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- Transit productivity
 - City and county coordination

The Chair suggested two changes for the list. The first was to add “User Fees” as a topic for committee work. This was discussed at the previous meeting but due to an oversight was not added to the list. The second was to delete the issues - “Transit Productivity” and “City and County Coordination” - since they are in the purview of the Administration Committee. The Chair then asked for discussion of the topic list.

Additional topics suggested were : impacts Referendum 49 will have on the state’s ability to bond; creative financing strategies such as lease-back of transportation equipment or a “basic” transportation fee for system access; and public-private financing.

The issue of responsibility for roadway construction and maintenance was brought up. For example, should the state take over responsibility for some highways now under city or county jurisdiction? The idea had been brought up previously and will be explored.

A committee member asked whether the 18th amendment to the state constitution, which says that gas tax revenues will be used for “highway purposes” only, will stay on the list. Discussion ensued about the difficulty of changing the state constitution and whether the committee should be looking to enlarge the uses for the gas tax when “highway purposes” are underfunded now. A decision was made to keep the 18th amendment on the list and let the full Commission decide whether it should remain.

It was asked what the “total system costs” entry on the list meant. The idea was to review how much government (or the public sector) pays in transportation costs, how much business pays, and how much individuals pay so that a better understanding of true system costs could be arrived at. Another committee member then asked if the committee should consider whether newcomers to the state were paying their fair share of system costs. Another member asked if special benefits should be considered - that is, if a property owner benefited by a new interchange, for example, should that property owner be charged a special benefits fee. Discussion ensued and due to complexity and time constraints, the “Total system costs” entry was dropped from the list. (Subsequently added back after discussion and adoption at February meeting.)

There was also discussion of the “Reallocation of taxes paid on transportation projects” bullet. This refers to the practice of charging sales tax on transportation projects. A committee member asked if the committee intended to reallocate or simply review adjusting or eliminating the sales tax. The word “reallocation” was dropped in favor of “allocation.”

The Chair asked for a motion to move the topic list to the full Commission as amended. Bob Helsell so moved and Roger Dormaier seconded. The motion passed. The topic list as adopted consisted of the following:

- **The fund and account structure (funding “buckets”)**
- **Gas tax and its distribution**
- **The 18th amendment to the state constitution**
- **MVET distribution**
- **Total system costs**
- **City and county needs and funding levels**
- **Local option taxes**
- **Tolls**
- **Congestion pricing**
- **Ideas from other states and countries**
- **Allocation of taxes paid on transportation projects**
- **Equity issues**
- **User fees**
- **Impacts of R-49 bonding**
- **Public-private partnership**
- **Creative financing**

Discussion of Committee Work Plan

Kathy Elias then walked through the draft work plan for the committee. Committee meetings and their suggested topics are:

February -	County funding issues
March -	Philosophy of taxation, benchmarks, dedicated account issues
April -	First evaluation of potential areas for change: simplification, new mechanisms
May -	Overlapping Issues, Market Mechanisms and User Fees
June -	More on market mechanisms, user fees
July -	Federal funding issues, begin wrap-up/evaluation of suggested areas of change
August -	Areas for change, new revenues
September -	Two-day retreat

The year’s remaining committee meeting topics were left open. Kathy mentioned that the work plan was “soft” and could easily be altered. She proposed that staff write briefing papers on the pros/cons of upcoming issues for the committee’s consideration.

The Chair requested a motion to adopt the committee work plan. It was so moved, seconded and approved.

The Chair then introduced Stan Finkelstein, Executive Director of the Association of Washington Cities for a presentation on city transportation funding.

Presentation on City Funding

There are 279 cities and towns in Washington, and 57.5% of the state's population lives in cities, up from 51.9% in 1990. This number is projected to rise to 65% in ten years. Roughly 25% of all vehicle miles traveled (VMT) in the state - or 33.6 million miles are traveled on city streets. The state system carries 57%, the county system 18%, with the remainder traveled on federal or privately owned roads.

Cities with a population of over 22,500 have the responsibility for maintenance on that portion of a state route going through the city; therefore, the City of Seattle would have responsibility for maintenance on the portions of state route (SR) 99 - Aurora Avenue - located in Seattle. Cities with a population of less than 22,500 have no maintenance obligations on state routes passing through their jurisdiction.

Gas tax distributions make up only 13.6% of city transportation revenues. Total state revenues, including TIB and Public Works Trust Fund revenues, make up 23.7% of city transportation revenues. Federal revenue contribute 8.1% and local revenues - local general fund, local options, LIDs, bond issues and impact fees - make up 68.2% of local transportation revenues.

A committee member asked how cities achieve consistency in transportation revenues from year to year. Stan responded that cities develop 6-year plans and Capital Improvement Plans (CIPs) to try to achieve consistency. It was noted that city 6-year plans seldom are fully funded and that cities are falling further and further behind in improvements and maintenance. Stan noted that cities will experience a multi-billion dollar shortfall in transportation revenues in the next few years.

About 10.5% of the state gas tax is distributed to cities on a per capita basis. The 10.5% is a fixed amount, and therefore the per capita distribution is declining, especially since new cities are incorporating annually. Stan asked whether population base is an appropriate base for distribution when the population is shifting. He further added that the gas tax is a quantity tax, and therefore it does not respond to growth.

Stan noted that federal funding was a roller-coaster; it changes yearly and is reliably unreliable.

Local option transportation taxes include the countywide \$15 vehicle license fee, the county-wide gas tax to 10% of the state rate requiring a public vote (has not been passed by voters anywhere in the state despite a few attempts), the commercial parking tax, and the border area fuel tax. The street utility was invalidated by the state Supreme Court.

On the expenditure side, construction (and debt service to pay off construction bonds) amounts to about 60% of city transportation expenditures. Maintenance accounts for about 31%.

Stan discussed creative financing and suggested a number of ideas - among them were indexing the gas tax to inflation, flexibility for locally imposed taxes, establishment of assessment districts, local option regional taxes, more use of debt financing, and rewarding local jurisdictions that tax themselves for transportation. He suggested that cities needed certainty in transportation funding, that per capita distribution formulas should be revisited, and that revenue growth capacity was paramount.

Presentation on City Grant Programs

Jerry Fay, the Executive Director of the Transportation Improvement Board (TIB) addressed the committee. The TIB is a state agency directed by a 21-member board. Its purpose is to administer state funding for local government transportation projects. The TIB administers 6 funding accounts.

The six accounts are:

- the Transportation Improvement Account (TIA), which focuses on congestion and growth-related projects. It is funded by state fuel tax;
- the Urban Arterial Trust Account (UATA), which concentrates on structural deficiencies of roads - funded by the state fuel tax;
- the Small City Account, for cities and towns under 5,000 in population, funded by the state fuel tax;
- the City Hardship Assistance Account, for cities and towns that assumed jurisdiction of former state highways - funded by the state fuel tax;
- the Central Puget Sound Public Transportation Account, for public transportation agencies, funded by MVET;
- and the Public Transportation Systems Account, for public transportation agencies outside Puget Sound, funded by MVET.

TIB also administers the Pedestrian Facilities Program.

Jerry mentioned that some cities would not do any transportation capital construction without TIB funds. A particular need is funding for regionally significant projects, usually large projects. TIB does not provide funding for maintenance. The Small Cities Account and the City Hardship Assistance Account are proposed to be consolidated into one account in the UATA.

TIB does not fund state projects directly, although it does participate in state projects. The requesting agency must be a city or county. In response to a question, Jerry said there is no similar agency to TIB around the country.

Other Committee Business

Chairman Rowley asked for a motion to approve the December meeting summary. The following corrections were noted:

- On page 2 in the third full paragraph, the correct requirement for changing the state constitution should read: “a two-thirds vote of the legislature and a simple majority of the state’s voters.”
- On page 3 in the first paragraph, the fifth sentence should read “sales tax” instead of “gas tax.”

The motion to approve the meeting summary as amended was passed.

A brief discussion ensued about whether the committee should hold meetings around the state, with one committee member saying it would be a good method to begin educating the public. Other members suggested moving meetings around would be useful only when there were ideas of interest to the public. Working meetings such as this one should be held in a central location such as Sea-Tac.

The meeting was adjourned at 11:40 am.